

Business Leaders Survey

Covering service firms in New York, northern New Jersey, and southwestern Connecticut

The Federal Reserve Bank of New York's December 2015 *Business Leaders Survey* indicates that activity in the region's service sector stabilized after declining last month. The survey's headline business activity index rose seven points to 2.0, an indication that activity was essentially flat. The business climate index remained negative at -12.7, signaling that, on balance, respondents continued to view the business climate as worse than normal. The employment index edged up to 6.9, pointing to modest growth in employment, and the wages index was little changed at 26.0, suggesting that the pace of wage increases remained steady. The prices paid index climbed roughly four points to 42.2 and the prices received index increased nearly eight points to 9.0, indicating that the pace of both input and selling price increases picked up this month. Indexes assessing the six-month

outlook suggested that firms were somewhat less optimistic about future business conditions, although employment growth is expected to pick up in the months ahead.

Business Activity Steady

After declining last month, business activity stabilized in the region's service sector, according to the December survey. The survey's headline business activity index rose seven points to 2.0, suggesting that activity was essentially flat. This month, 30 percent of respondents reported that conditions improved, while 28 percent reported that conditions worsened. The business climate index edged up two points to -12.7, indicating that, on balance, firms continued to view the business climate as worse than normal, but to a lesser extent than last month.

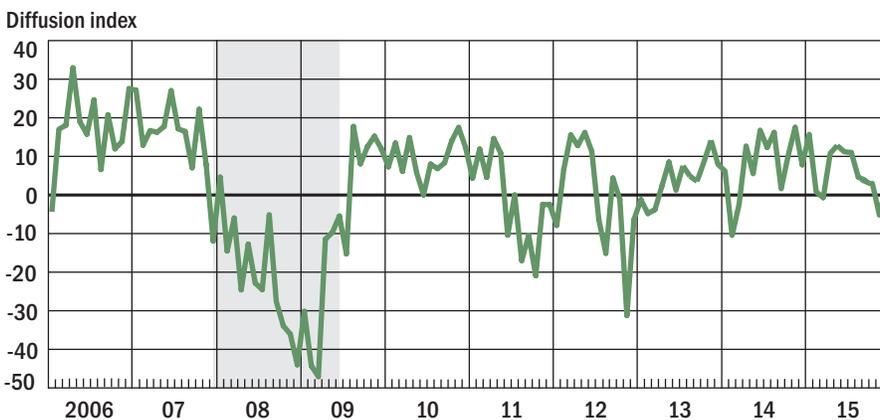
Modest Employment Growth

The employment index edged up two points to 6.9, signaling that employment continued to grow at a modest pace. The wages index was little changed at 26.0, an indication that wages grew at about the same rate as last month. The prices paid index rose roughly four points to 42.2 and the prices received index increased nearly eight points to 9.0, indicating that the pace of both input and selling price increases picked up. The capital spending index edged down three points to 7.6, pointing to modest growth in capital spending.

Employment Growth Expected to Pick Up

Indexes assessing the six-month outlook suggested that firms were somewhat less optimistic about future business conditions than last month. The index for expected business activity fell five points to 20.7, while the index for future business climate rose three points to 12.0. The index for expected employment increased nine points to 23.8, suggesting that employment growth is expected to pick up. The index for expected wages was little changed at 50.3, indicating that fairly solid wage growth is expected in the months ahead. ■

Business Activity



Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

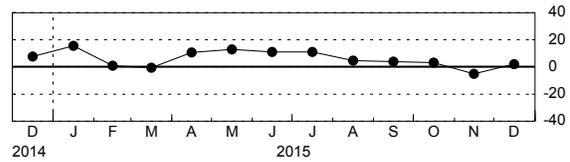
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	26.81	41.30	31.88	-5.07
Dec	29.73	42.57	27.70	2.03

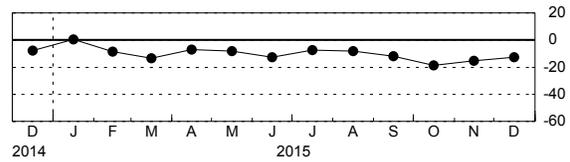
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Nov	20.86	43.17	35.97	-15.11
Dec	21.33	44.67	34.00	-12.67

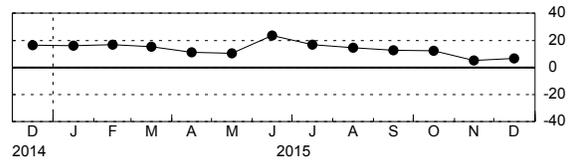
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	24.29	56.43	19.29	5.00
Dec	28.08	50.68	21.23	6.85

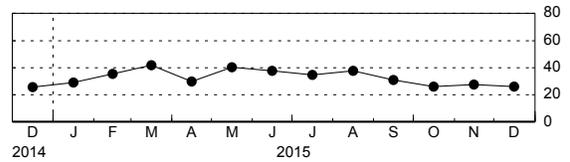
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	28.26	71.01	0.72	27.54
Dec	27.40	71.23	1.37	26.03

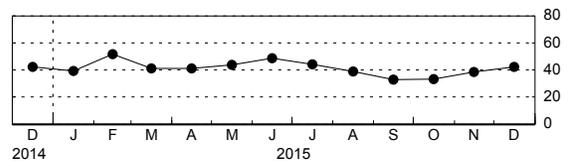
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	42.86	52.86	4.29	38.57
Dec	46.26	49.66	4.08	42.18

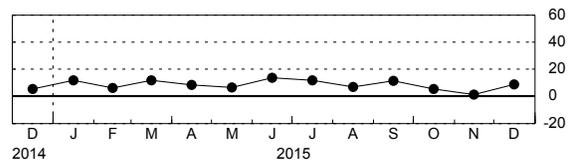
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	15.22	71.01	13.77	1.45
Dec	19.31	70.34	10.34	8.97

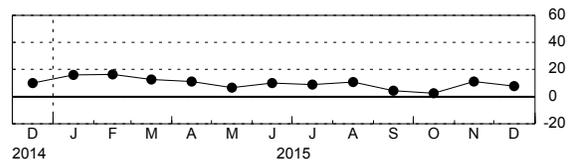
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	29.20	52.55	18.25	10.95
Dec	24.83	57.93	17.24	7.59

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

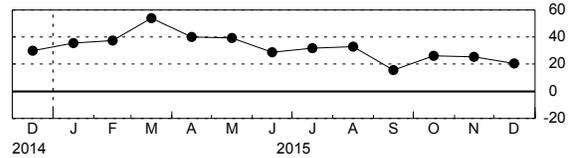
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	40.15	45.26	14.60	25.55
Dec	39.33	42.00	18.67	20.67

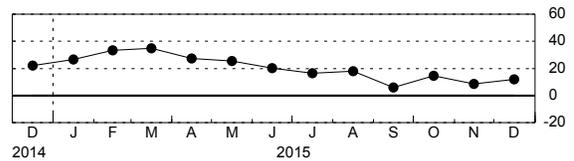
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Nov	26.81	55.07	18.12	8.70
Dec	27.33	57.33	15.33	12.00

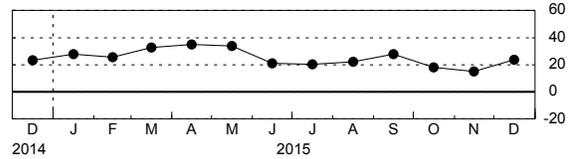
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	30.30	54.55	15.15	15.15
Dec	36.36	51.05	12.59	23.78

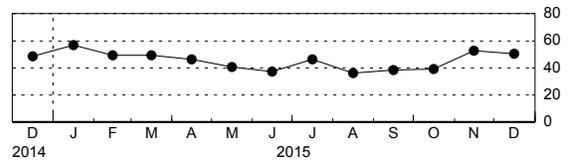
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	54.14	44.36	1.50	52.63
Dec	52.41	45.52	2.07	50.34

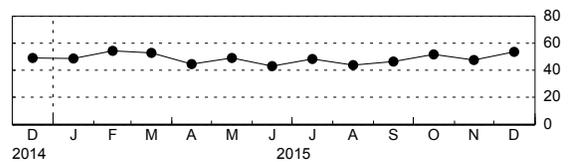
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	48.48	50.76	0.76	47.73
Dec	56.16	41.10	2.74	53.42

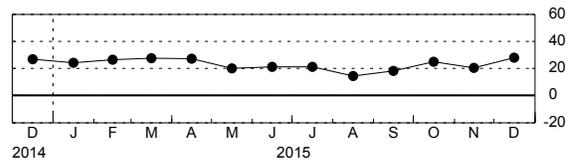
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	30.53	59.54	9.92	20.61
Dec	36.36	55.24	8.39	27.97

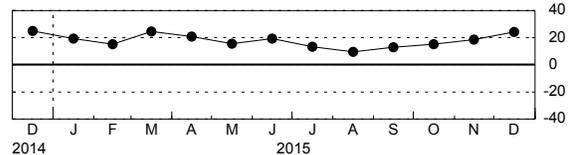
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	35.66	47.29	17.05	18.60
Dec	38.62	46.90	14.48	24.14

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.